

Congress of the United States
Washington, DC 20510

July 13, 2011

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President:

We are writing out of our concern over your budget proposal to reduce the allowable federal matching rate for state Medicaid provider taxes from the current 6 percent to 3.5 percent in FY2017. We are also concerned that a similar proposal would be included in a compromise over raising the debt ceiling. We are strongly opposed to this plan and ask that you reconsider your position. As you know, the Medicaid program was created as a partnership between the states and the federal government to provide healthcare for those most in need. Many states rely heavily on provider taxes to help finance the state share of Medicaid program costs. Provider taxes are usually levied after an agreement between the state and the provider community to establish a stable base of Medicaid funding. They have been authorized by federal law and regulation for nearly twenty years. With most states battling with budget shortfalls, the elimination of this source of funding for Medicaid would be devastating to their budgets or to the health care of the poor, disabled and elderly.

When fully implemented in FY2017, your proposal would force Missouri to forego \$1.3 billion in federal funds and hospital provider tax revenues. From fiscal years 2015 to 2021, Missouri would forego \$3.22 billion in hospital Federal Reimbursement Allowance, which would incur a cumulative loss of \$5.62 billion in federal funds. These numbers do not reflect the other provider tax assessments, including assessments on ambulances, nursing homes, and pharmacies.

Missouri does not have the ability to replace provider taxes with general funds or other sources of revenue to blunt the loss of federal funds. If Missouri, or others states, are unable to replace the federal funds this will lead to a drastic reduction in Medicaid spending by reducing benefits, reducing services, or lowering payments to providers.

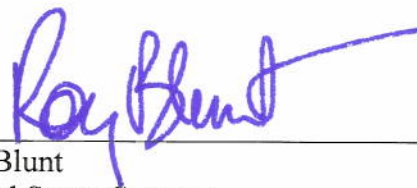
Medicaid makes up 17.2 percent of total hospital revenue throughout the state, so a 42 percent drop in Medicaid revenue would equal a 7.2 percent decrease in total hospital revenue. This drop in hospital income could translate into a loss of 8,735 jobs in Missouri in addition to making it even harder for citizens to get access to health care. Nursing homes and other health care providers would be similarly harmed by this proposal, leading to less access to critical care for Missouri's seniors and people with disabilities.

While we are committed to finding ways to reduce the federal deficit, we emphatically reject the strategy of cutting our safety net out from under those who need our assistance most. It is clear that limiting provider taxes disproportionately harms Missouri and its residents.

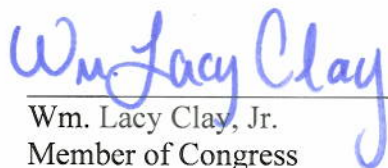
Sincerely,



Claire McCaskill
United States Senator



Roy Blunt
United States Senator



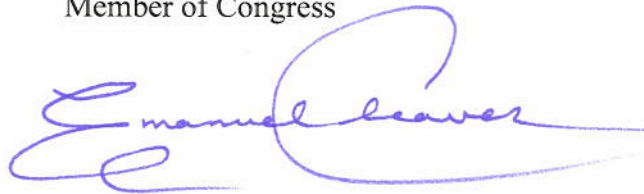
Wm. Lacy Clay, Jr.
Member of Congress



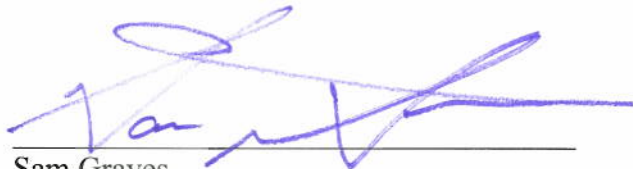
Todd Akin
Member of Congress



Russ Carnahan
Member of Congress



Emanuel Cleaver
Member of Congress



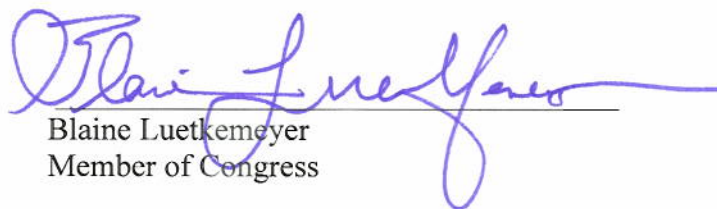
Sam Graves
Member of Congress



Billy Long
Member of Congress



Jo Ann Emerson
Member of Congress



Blaine Luetkemeyer
Member of Congress